CM: Becoming a technology firm (teaching case)

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2011

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CM:
Becoming a technology firm

This case was written by Elco van Burg, Isabelle Reymen and Sharon Dolmans from Eindhoven University of Technology, with the support of Charlotte Butler, Research Consultant. It was made possible through the generous cooperation of CM. The case is intended for class discussion rather than to illustrate either effective or ineffective handling of management situations. The development of the case was enabled by a grant of the European Community (ENT/EFORCE). Sole responsibility for the case resides with the authors.

"One of our biggest customers asked me the following question", said Jeroen van Glabbeek, founder and CEO of the SMS-services provider CM. "They want to go international and sell their SMS content and ringtones in other European countries outside The Netherlands. Because they like our service level and technology, they would like us to provide the SMS technology and establish contact with the telecom providers in countries such as Spain. I think this could be a good opportunity for us to try and go international again. What do you think?"

Gilbert Gooijers, co-founder and managing director of CM took a few minutes to think before replying: "Well, it sounds good, but I'm not sure we are ready for it. After all, our last international venture in Poland had to be abandoned because we failed to build a market." Rene Kaijim, CM's product developer, added: "I think we would be better off trying to enter different market segments both in and outside the Netherlands**,** not just internationalize our business. We should definitely look into the development of software for mobile phones, like Apple Apps. I think that could be another good business for us."

As Van Glabbeek pondered the different options he reflected on the past development of CM and how they had got this far. Could looking at what they had already achieved help him evaluate these suggestions and decide which would be the right growth opportunity for the future?

Founding CM

ClubMessage – later abbreviated to CM – was founded by Van Glabbeek and Gooijers in early 2000. The business was based on exploiting the opportunity of sending an SMS to a large audience. The two had been friends for a long time – in high school they had been placed in alphabetical order in class and so always sat next to each other. In 1997, Van Glabbeek and Gooijers were accepted as students on the Industrial Engineering and Management Science program at Eindhoven University of Technology. During the weekends they would meet regularly to go out to discos. They shared an interest in computers and programming and during his time as a student, Van Glabbeek worked at a large IT company for a year. He started a few small businesses which involved him in website design, and acted

as an intermediary for renting student rooms. Gooijers' main sideline involved radio broadcasting for the publicly-funded local radio station in Breda, a city of some 170,000 inhabitants located near the border of the Netherlands and Belgium. In addition to being a radio DJ, Gooijers regularly worked evenings as a nightclub DJ.

In 1999 the two friends had the idea of trying to make radio broadcasting more commercial. As Van Glabbeek recalled they thought: "Why shouldn't we do something and make some money out of it?" So, they started to sell radio commercials for clubs in the vicinity. "However, we were bound to the radio station, which actually earned the money. So the idea emerged of broadcasting something ourselves which we could use to target young people, and for which we would own the technology. We came up with the idea of using mobile phones to send them some kind of information. Many young people already had a mobile phone but didn't use it that much because it was expensive. We thought of sending them something they could receive for free."

The cell phone had just appeared on the market and sales were rising. With a cell phone, consumers could send and receive text messages in the form of a Short Message Service (SMS). Reviewing their options, experience and contacts, the two friends came up with the concept of using SMS for nightclub marketing. "We started our service in the early days of SMS," Gooijers recalled. "We started with SMS because we just looked around and asked ourselves what new media could be used to inform people? Everyone was gazing at the Internet and developing websites. Many students started developing sites, but we saw an opportunity in mobile phones." The advantage of an SMS was that it contacted the intended target segment directly. However, very few people were familiar with the possibilities of SMS and Van Glabbeek and Gooijers had to work hard to convince the older nightclub managers of its potential as a marketing tool.

The two started to collect phone numbers from people queuing outside a local nightclub. Each week they would send these people an SMS with the weekly agenda of the club, using laptop computers from the university and a cell phone. Van Glabbeek recalled that: "We found it worked better if we had a few nice-looking girls asking people for the numbers. And the idea

worked out. The more numbers we collected, the more people we were able to approach and the more people came to the disco." Sending the nightclub's weekly agenda to the mobile numbers resulted in a significant increase in customers at the disco, which pleased the club owner. Gooijers and Van Glabbeek asked for about 20 cents per SMS, which gave them a margin of several cents. For two students, this was a nice business whilst free access to the club, which lowered their 'party costs', was equally welcome.

Attracting customers

This initial success convinced Gooijers and Van Glabbeek of the potential of SMS as a marketing tool on the club scene. But while young people knew how to send and receive an SMS, the application was not yet used by the people who ran or owned the clubs. To convince other clubs it could work, "We told the receivers of the mobile message to, for example, bring a potato with them if they would like to get free entrance to a specific club. We collected all the potatoes and so discovered how many customers read the SMS and came to the club. That worked quite well, and we were able to convince many clubs to buy our services." They also did some advertising, investing in a stand at a trade fair for the hotel and catering industry. At the fair the innovative aspect of using SMS attracted several new customers. By the end of 2000, CM's customer base had expanded to cover around 500 clubs in the Netherlands and Belgium.

When a parent of one club member heard that his son had received an SMS from the club, he immediately grasped its potential. That parent was a director of Electrabel, the largest Belgian energy provider. He asked Gooijers and Van Glabbeek: "Why can't I send an SMS to all my employees? I have so many who, because they spend a lot of time on the road are less involved in the company. Why can't I send them an SMS now and then?"

This became the first step ClubMessage took outside the club business. For Van Glabbeek, the move validated their business model: "We believed more than ever in the concept of 'bulk SMS' - sending a 'bulk' lot of SMS free for the receiver, and paid for by the sender." They were then approached by a transport company director who asked whether he could send his

drivers an SMS with information about delivery addresses et cetera? This opened up another new market .

In 2003, they began to recruit experienced and older people (among them Van Glabbeek's former boss from his year in IT development) to work with them. The move was to help them negotiate with large companies. “Club owners might believe young students could come up with a good product, but that approach didn’t work well with a bank”. Hiring experienced people was an expensive risk since. “We paid out more than we earned a month”, observed Van Glabbeek. “We staked everything to take our business to a higher level. We had to accept losses to be able to get higher revenues.”

Over the years, as SMS traffic increased so did CM’s business (Exhibit 1). Van Glabbeek searched for additional clients among those serviced by competitors. He noticed that a large software services company had an SMS unit that was no longer related to its core business. “I sent an e-mail to the manager of the SMS unit because I knew that following a reorganisation, their SMS activity had become sidelined. He replied that he was thinking about selling the division.” In 2007, CM decided to buy the client list, servicing them by adapting CM’s technology to exactly that offered by the division. To give the company a more serious image, in 2008 the name ClubMessage was changed to CM.

Many of the clients came through contacts, or business people approaching CM to deliver services for them. From 2007, in order to raise CM’s profile they began to organize annual conferences about developments in the mobile sector. At these Van Glabbeek would present his vision and ideas. With these “CM days” and “Mobile Convention” conferences, product and company promotion became a more prominent activity and regular contact was initiated with the media.

Industry and competition

As the use of SMS became more common, media and marketing companies began to offer SMS services such as ringtones or SMS chats. Van Glabbeek recalled that: “One of our discussions in 2003 was whether we should ourselves generate content for our SMS. Some of

our competitors had started to do just that. Our margins as an SMS technology provider which sent the SMS was just one or two cents whilst the content providers got much more."

Rene Kaijim, then a CM sales representative, observed this change and argued that CM should do the same. However, Gooijers and Van Glabbeek were reluctant to take this route. Van Glabbeek foresaw that, "In the end, the content-providing clients of our competitors would become our clients", a development that did actually materialize. Major competitors were usually large companies, such as the largest Dutch telecom firm, KPN. Between 2000 and 2007, a number of large foreign SMS companies, such as MBlox, a fast growing UK-based SMS service provider, also entered the Dutch market,.

Premium SMS

In 1999 Greystone, a start- up with a slightly different business model, launched its service on the emerging Dutch SMS market,. Van Glabbeek and Gooijers did not believe the company's business model would work. Commented Van Glabbeek: "They had the SMS receiver paying for the message rather than the sender. That concept was called 'Premium SMS'. Greystone started its service with the first Big Brother TV show. The concept was: you can send an SMS to vote on whoever has to leave the Big Brother house, for which you pay 1 guilder[1]. We couldn't believe that anybody would want to watch this show and even if somebody did, they wouldn't want to pay to vote for somebody." This, however, became a big market in which CM did not offer a service. Greystone earned millions of euros with its monopoly over the voting rights and subsequently provided the same service for other TV shows, both nationally and internationally.

Although other companies came into the industry, Gooijers and Van Glabbeek believed that they could exploit the bulk SMS services more profitably than these new entrants. One such was Unwired concepts, which started operating in 1999 with funding of about 30 million euros, and aimed to become a market leader in SMS services. Unwired provided services to Rabobank and a TV show, and wanted to introduce companies to SMS marketing. However,

[1] In 1999, 1 Guilder = 0.45 Euros.

the company's image was over aggressive and it was too early with its idea; the market was not there. In 2001, Unwired went bankrupt when its cash flow ran out.

While Premium SMS services were still expanding and highly profitable Van Glabbeek realized that CM had missed an opportunity. But was it already too late? By coincidence, in 2005 the Dutch TV industry was re-organized and the exclusivity contracts held by CM's competitors became less profitable. In a hotel lobby in the Czech Republic Van Glabbeek overheard a conversation in which one of the speakers described the technology his company would deliver to RTL [a major Dutch TV station] to make it possible for them to use SMS. Van Glabbeek approached the speaker, who was working for one of CM's rivals, and asked him: "Why don't you use our technology, because we are very good at developing software and processing the SMS's." Van Glabbeek considered this a strategic move: "If we did it, we would help our competitor. However, in the process it made us a technology rather than a content provider. So then we were able to sell our technology to other competitors as well."

By 2005 half the Dutch SMS industry was using CM's technology. Initially the company sold, for example, SMS software packages for 100K EUR. But then in 2006 CM shifted to a pricing model where clients paid 8,500 EUR a month. "This was difficult for our competitors", Gooijers reflected. "Greystone earned maybe 5 cents per SMS while we said: give us just 8,500 EUR a month. Television broadcasters like RTL and cable companies like Ziggo liked this offer, because it saved them thousands of Euros. But our competitors were furious because through our approach, a lot of money that had been washing round the market evaporated. Many of these competitors were unable to follow and make the same offer so they lost market share."

Peter Egberts, from CM's competitor Netsize, confirmed that CM gave competitors a hard time. "For us, CM was a very big threat. In CM's model, a client paid 8,500 EUR a month for 10.000 SMS, which is 0,85 cents per SMS, and 0,5 cents for over a million messages. We sold Premium SMS for 4 cents per SMS or for a percentage of the turnover generated by the SMS service." In this way CM entered the market and unconsciously ruined the business model of many premium SMS competitors.

Due to CM's origins as a company that operated in bulk SMS, the company was good at processing a lot of SMS at low cost and living off small margins of several cents. Using this price model for the premium market, it sold services for prices five times lower than those of their competitors. In fact, the service level of CM appeared to be higher because they were used to providing dedicated solutions to small customers. Robbie van Hoof, CM's technology development manager noted that: "If you call Ringer [the SMS branch of the largest Dutch telecoms company], and they find it difficult to do something with an SMS service they say: 'I would advise you to go to CM'."

SMS trading

For CM, a company in the middle of the supply chain - neither operating in a network, nor providing SMS content - its business model was based on buying, processing and selling SMS's. One of the challenges was to buy the SMS as cheaply as possible and sell it for a reasonable price. Since they were operating on quite small margins of one of two cents per SMS, which enabled them to increase their market share over and over again, it became important to monitor the costs per SMS closely.

Every provider had its own prices, and most would charge 'interconnection fees' (of 1 to 3 cents per SMS) for sending an SMS to the network of another provider, for example from T-Mobile to Vodafone. Once new providers began to emerge in Asia and other countries Jan-Willem van Vugt, CM's trading expert, spotted an opportunity to use these price differences to become even more cost-effective. "For example, it could be much cheaper to send an SMS from a T-Mobile network to an Indian provider and then back to Vodafone because T-Mobile and Vodafone probably had no agreement with the Indian provider, and so couldn't charge any interconnection fees. You can imagine, if we earn 1 cent per SMS and send 1 million SMS a day, this is good business." Consequently, Van Vugt developed a sophisticated monitoring system to calculate the cheapest and most reliable routes for an SMS.

Government regulation

Since many SMS services, especially premium services, were relatively expensive for customers companies were making a lot of money, for example, through ringtone subscriptions which carried quite high monthly costs. Many people – especially young kids – registered for these services without realizing this and later on got a big shock when the bills came in. Complaints finally forced the Dutch government into a position where they either had to regulate the market, or give the industry some time to come up with self-imposed regulation and a code of conduct.

"We started with industry-wide, self-imposed regulation", explained Van Glabbeek, early in 2010, "because we didn't want to get a negative image." This laid down that subscriptions to SMS services could simply be cancelled by sending a message saying 'STOP' to the service provider. In addition, each message from an SMS service provider had to begin with an indication of the rate that would be charged. SMS providers also committed themselves to providing an SMS-services filter, which protected cell-phone users from getting unwanted SMS services.

As consumers and the government found this regulation and code of conduct insufficient – especially as many content service providers did not act in accordance with the code – the government said it would turn to regulation enforced by law. Such government policy changes could have had a serious impact on the SMS business. For example, during television shows people could vote by SMS and win, for example, a car. But the government minister in charge of overseeing the regulations decided that this was a game of chance which was not allowed as only a restricted number company may organize games of chance, and forbade it.

CM experienced the full impact of these regulations in 2007, when its main competitor filed a claim against the company and one of its clients for violating the code of conduct by providing misleading, or incomplete, information. However, the industry committee that judged this claim came to the conclusion that CM had resolved the problem, and that the claim was not valid.

Developing products

During its ten years of operation, CM developed a lot of different services and products, many involving considerable technological development. “We started with a Libertel program”, Gooijers remembered, “that could send a single message every two or three minutes. Well that was far too long. That’s when we started exploring other possibilities that would allow us to send more messages. From the minute we started until now [2010], every day we have taken steps to ensure that we could do something smarter next time and that we would be able to handle more messages. Now we have a system that can handle thousands of messages per second. But it’s taken a lot of work. No new party could enter the market and say we will build up a position in a month or so.”According to Van Hoof, the technology development manager: “We like to experiment with new ideas and new technology. As soon as it appears that something works, we continue with it. We just try things out. Sometimes, an idea doesn’t turn out so well, so then we abandon it.” Kaijim, sales representative, added: “When we sit down together and brainstorm, we come with ten new ideas and products in no-time.”

SMS chat

The first service that Gooijers and Van Glabbeek developed after the ‘bulk SMS’, was SMS chat in 2002. At the time, some discos were using notice boards to establish contacts between clients. People handed in a piece of paper with a message written on it, and this was subsequently put on a screen. Van Glabbeek and Gooijers saw opportunities to do that in a more sophisticated way with SMS. “We rented a screen and a beamer and gave people the chance to send an SMS with a certain message, which came up on the screen directly. And we were able to collect phone numbers from the clients. Soon, we attracted sponsors for the system such as the youth radio station Yorin FM, or Vodafone. Those systems are still running.”

Mail SMS

In order to process the ever increasing volumes of SMS Van Glabbeek started to develop a new method to send an SMS, called mail SMS. This technology was presented in 2002, and enabled the use of email to send SMS-messages to a cell-phone. They worked on it for about one year and filed a patent on it in 2003. However, the product never really became a success.

"Everybody knew that they had to pay for an SMS but,", as Van Glabbeek discovered, "to pay for an e-mail, even if it was transformed into an SMS, was a difficult idea to sell. We sold some of these services, but it didn't become a really successful product."

'Video consult'

One of the ideas that came out of a brainstorming session was a product called video consult. "We saw opportunities in video calling, using webcam techniques", Kaijim recalled; "People will put up with traffic jams because they prefer to have a face to face meeting. But they could do it much more cheaply and waste less time by using a webcam to hold a video conference.

For medical specialists, this also offered the chance to have contact with a patient from a distance. We called this product 'video consult'." The company worked on it for about a year and the product went onto the market in 2007 – but success remained elusive. Kaijim reflected that: "Maybe it was a matter of 'let the cobbler stick to his last'. And we weren't lucky enough to get a big customer to fund part of the development and give us a smooth market entry." Van Glabbeek recalled: "We developed knowledge and technology for video calling, but it never really took off. Then we saw how rare it was for a large group of people to adopt a new technology, as happened with the mobile phone. This just didn't happen with video and mobile phones."

SMS Firewall

The backlash against unwanted premium SMS messages being sent to mobile phone users led to increased pressure from government and regulatory institutions for stricter compliance with all applicable laws, code of conducts and regulations in the field of SMS. This forced operators to look for a (cost) effective and reliable way to control the situation and presented CM with another business opportunity. The company developed an SMS firewall, which they patented and licensed to other SMS service and content providers.

Banking services

CM also entered SMS banking services, customers receiving a code to access their internet bank account. Kaijim recalled that: "With the SMS service for Rabobank and the payment

SMS service for ING bank we have reached a new level, and shown that we can do it. We now have to capitalize on that." As a next step, CM was exploring future mobile markets by developing new means of mobile -payment, marketing and content delivery. Kaijim noted that: "Another future development is IP billing, where you pay bills via your internet or mobile phone subscription rather than through your bank account."

24-hour support

To respond to client demands for higher service and reliability levels, especially in banking services, Gooijers and Van Glabbeek decided to build CM's own server park. As Van Glabbeek explained: "We had all the technology in-house. We could have outsourced it, but believed we could do it better ourselves."

In 2008, they added 24-hour control of SMS traffic and services to ensure reliability levels. Observed Van Glabbeek: "The costs would have been too high for us to do this alone, as we are a relatively small company,. So, we started with just a few people doing 24-hour support and so attracted clients who could first, demonstrate whether or not it worked and then finance our Network Operating Center."

Initially, Van Glabbeek and Jan Saan, one of CM's first employees and a good friend of Van Glabbeek, ran the 24-hour support together. The initiative soon became a competitive advantage, as Van Hoof discovered: "If a client can choose between two suppliers of SMS, one where they shut their offices at 17h and one where they work day and night, they naturally opt for the supplier who has somebody watching and checking the technology 24 hours a day. Especially if the client is a TV station or bank." As demand increased and the service appeared to be an important competitive advantage, the 24-hour support was organized by hiring a number of people to establish dedicated teams..

Future products

Product development was often a matter of trial and error. Several ideas were explored in an attempt to expand the business model, like the production of ClubDVD. With a camera team CM recorded videos in clubs which members could buy. "A cute idea, but very labour-

intensive", Gooijers reflected. "We imported luminous ice cubes from China, and sold white gloves to wear while dancing… Nice, but not a big success, not a very profitable business. Finally we concluded that: 'SMS works fine for us. Every man to his trade'." Focusing on SMS was not a bad choice, according to industry analyst Gartner: "Last year (2009), 936 billion SMS messages [worldwide] generated a turnover of 39,5 billion US dollars, which is approximately 24 cents per message. In 2010, this should rise to 72.5 billion US dollars."

To maintain its 50% market leadership in commercial SMS traffic, CM had a variety of options. Van Glabbeek as full of ideas: "We have different product ideas, such as location-based services. Each mobile phone gives information to the network operator about its location. This could then be used to develop a new service. For example, if one sees a billboard with an advert for Swatch watches one could SMS "SWATCH", and receive a list of shops in the proximity where that particular watch could be bought."

Organising CM

CM's organisation developed in stages. Van Glabbeek and Gooijers started ClubMessage in 2000 but by the end of that year, the customer base had increased substantially together with SMS volumes. To deal with these larger volumes, Gooijers hired office space to automate and optimize the different processes and soon other people joined them. Together they did all the tasks it took to get ClubMessage up and running.

This initial team spirit made it difficult to adapt to new roles and divide tasks once demand and added activities made it necessary for CM to recruit more people (Exhibit 2). As Van Glabbeek described: "At some stages of growth coordination was easy, but at others it was more difficult. With six, seven or eight people it worked very well but once we were up to about 20 people, it was more difficult but we managed a nice division of tasks. With 30 people it was very difficult because then we thought we needed some kind of management team, but we found this didn't make sense. By 2010, when we had about 50 people in the company, it has been a natural development to have managers and different teams."

Finance and growth

During 2000, Van Glabbeek and Gooijers were approached several times by potential investors interested in telecom startups and new technology. But the two wanted to keep full control over their business and at the time did not believe they needed further investment. In any case, investors told them that their lack of a track record (they had only been going for less than a year) did not put them in a strong position. They therefore decided to go for cash-flow financing. They sold pre-paid packages of, for example 5000 SMS, to a club, which gave them cash in hand for expenses, reducing the risk of being unable to pay their bills.

In 2007, Gooijers and Van Glabbeek again explored options to finance further growth through outside funding. Van Glabbeek presented their international ambitions and stock market flotation in local newspapers and via websites. Apart from introducing new products and attracting more clients, one growth option they considered was a take-over of a competitor, one of the top three Dutch SMS companies. The Dutch branch of that company was up for sale, because its investors wanted to cash out. To fund such ambitions Gooijers and Van Glabbeek began negotiations with several investors, but ultimately decided not to try and attract external funding.

As Van Glabbeek explained: “We negotiated with investors to finance a take-over. They finally asked for six million Euros, which we found too high.” They decided instead to try and attract clients from competitors, in which CM largely succeeded. “Maybe we will be able to make a new bid in the future - for as we have grown they have shrunk. Investors are still following us. But as long as we don’t need it, we are better off borrowing from the bank.” Other financing options also ultimately failed. “We considered an IPO at Alternext”, Van Glabbeek continued, “since it would increase our visibility”. Alternext was an alternative to the standard stock market, with lower standards. For technology firms like CM there was also a tax advantage attached to it. But in the Netherlands that advantage did not finally materialise.

Internationalisation

Around 2004, many of CM's competitors went international. Most prominently, Greystone started a network in Malaysia, Indonesia, Thailand – following international sales of the TV format of, in particular, Big Brother. Because no company existed in those countries to deliver the service, Greystone had to send some of its people to work there. As a result, its domestic Dutch business began to deteriorate – giving CM the opportunity to pick up some of Greystone's market share. Other competitors also tried to internationalise but found themselves competing in bigger markets such as the UK and Germany against established SMS service providers – so the venture often ended badly for the new entrants.

Van Glabbeek and Gooijers had also looked at international opportunities for CM. In 2003 they had begun by expanding into Germany, the UK, Spain, and opened an office in Poland.

"A customer of a disco in Limburg had a godfather in Poland and said to us: Why don't you start up in Poland?", Gooijers remembered. "We went there and saw that clubs wanted to advertise by SMS. We saw Poland as an emerging large market in which SMS services were not yet developed. So we decided to replicate the model we began with in the Netherlands. We went to the clubs, talked to people, basically the same as we did in The Netherlands. We found a nice lady to run our business there." Gooijers went to Poland to set up the office and spent quite some time there.

However, at the beginning of 2006 CM decided to close the Polish division. It proved too difficult to create a large customer base in Poland and manage a second office from the Netherlands. For Gooijers it was a difficult decision: "We spent so much time and effort to get it running. Our employees there were not used to taking decisions themselves and being creative in finding ways forward. In the end, the business wasn't very profitable. We did not make much progress while our costs remained the same. So we decided we would do better to focus on our Dutch activities." Product-developer Kaijim believed that: "Because we only visited Poland once every two months, we had very little control over what was happening. We had to deal with a completely different mentality and business culture, which we probably assessed wrongly."

Future growth

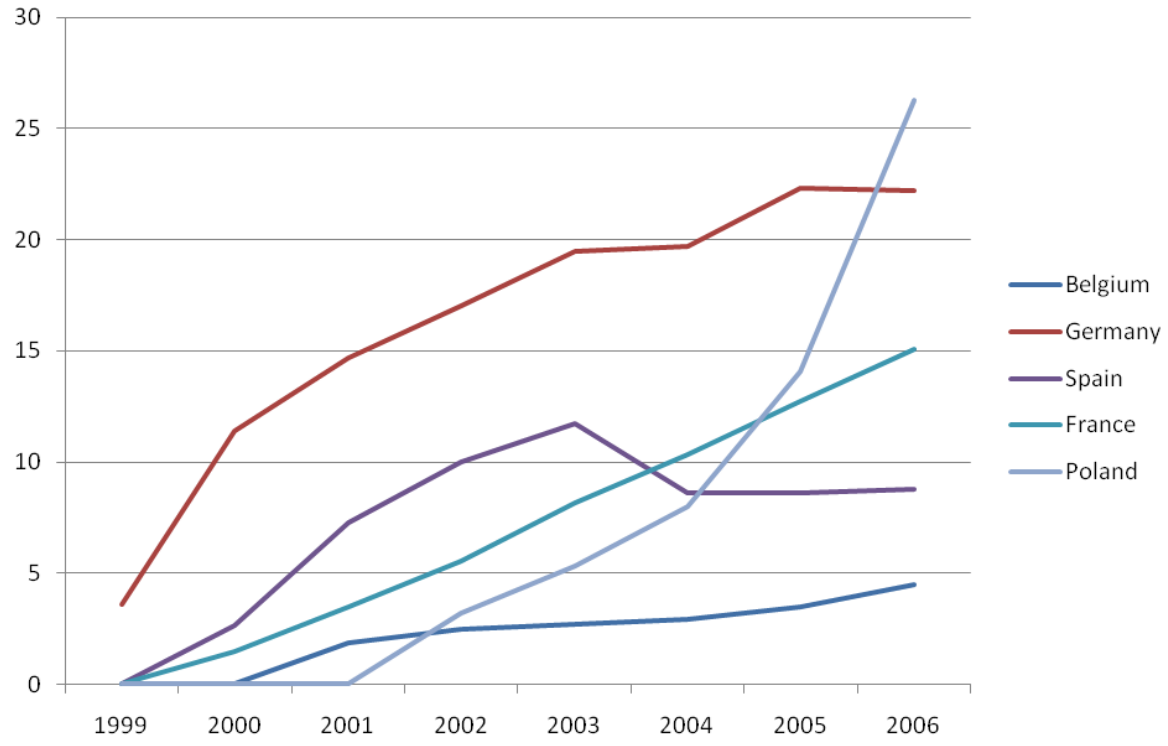
Following their failure in Poland, Gooijers and Van Glabbbeek were reluctant to try further expansion abroad. However, following several customer requests, notably from Quant, a growing SMS content provider, the company established itself in Greece in 2009. This expansion meant CM was back in the international market as a full service SMS provider and looking forward to further expansion in the future.

According to Van Glabbeek, an advocate of further expansion: “In the Netherlands we are the market leader as an SMS service provider so expansion is limited… In the end, we would like to be present across Europe - including Eastern Europe - and in Brazil. We plan to partner with SMS companies in those countries, providing our products as an add-on to their portfolio of activities. In Greece we failed to find companies to fit our criteria, which is why we decided to enter there ourselves. We have hired a Greek manager but we don’t plan to open offices in these countries again. Our competitive advantage is that we can serve customers in non-English speaking countries. The largest SMS companies tend to focus on the big English-speaking markets, such as the US, UK and Australia.”

Although Gooijers and Kaijim shared this vision, Kaijim saw more product development options in 2010. “Why don’t we enter the ‘App business’?”, he asked. “We are good at developing dedicated solutions and could combine this with our experience in mobile payments.” Other potential product development options included mobile payments, location-based services, the further development of SMS trading. The question was, which would best ensure CM’s future sustainability and growth?

Exhibit 1

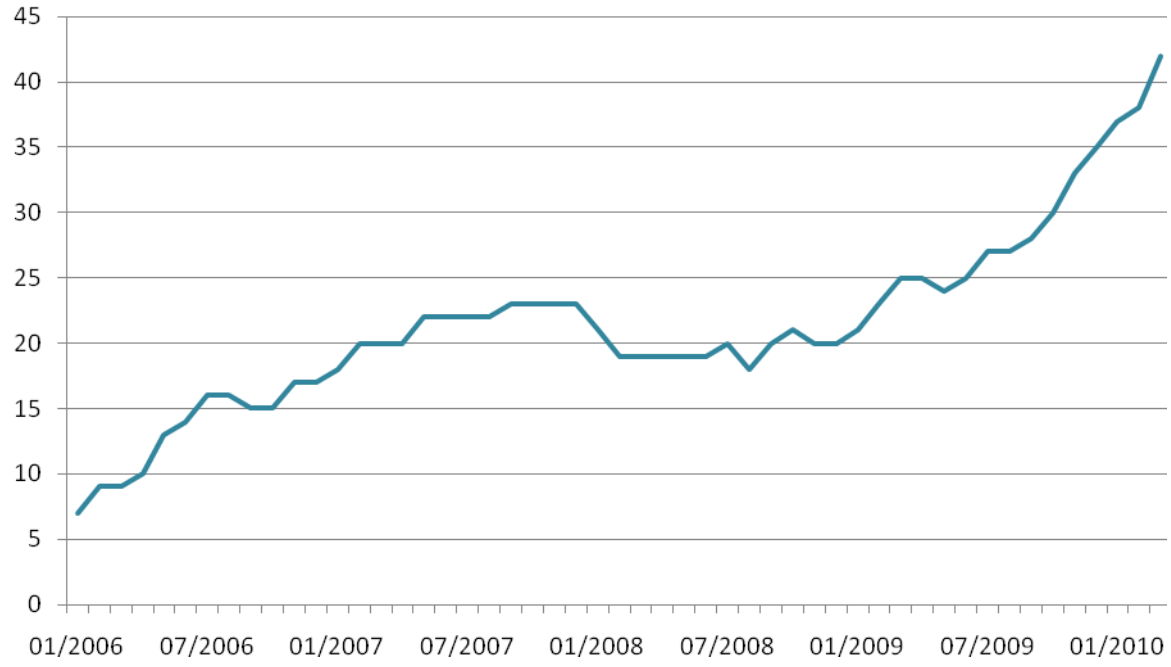
SMS Message Traffic (in millions SMS)



Source: Eurostat

Exhibit 2

CM Workforce 2006-2010



Source: company information

Exhibit 3

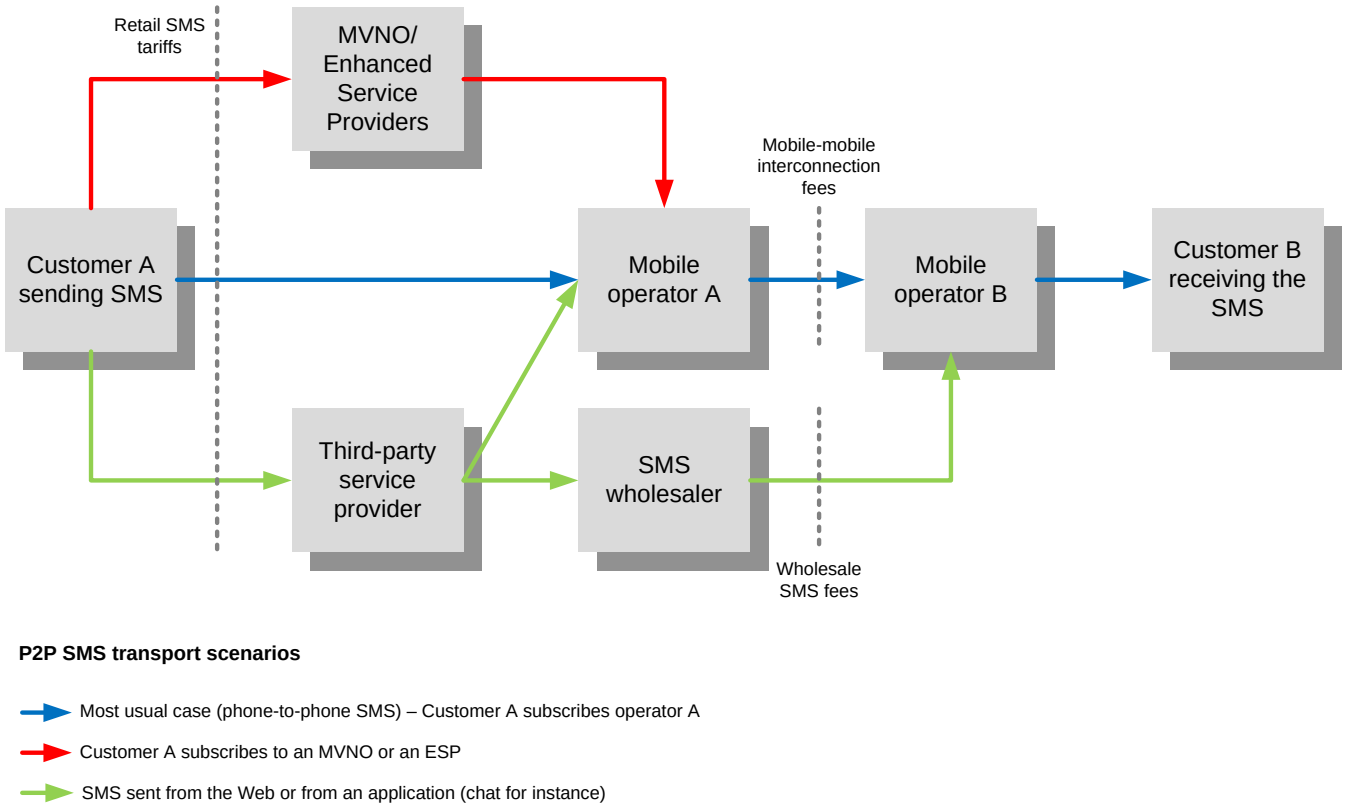
Main Dutch SMS operators, service and content providers

Operators	SMS-services	Content Providers
KPN	Cellgate	Artiq Mobile
Telfort	CM Telecom	Yomo Concepts
Vodafone	Golden Bytes	Fox Mobile
T-Mobile	KPN Callfactory	SD&P Online
Tele-2	FutureTarget	
	Mobillion	
	Motricity (Infospace)	
	Netsize	
	Telefuture	

Source: Gedragscode SMS-Dienstverlening (December 12th 2009)

Exhibit 4

SMS traffic scenario



Terminology:

- P2P: person to person SMS
- MVNO: A mobile virtual network operator, a company that provides mobile phone service but does not have its own licensed frequency allocation of radio spectrum, nor does it necessarily have all of the infrastructure required to provide mobile telephone service.

Source: V. Poulbere, 'The story of the SMS global market development', Ovum¸ http://www.huawei.com/publications/view.do?id=279&cid=94&pid=61.

Exhibit 5

Financial statements 2001-2009

(in €)	31 Dec. 2001	31 Dec. 2002	31 Dec. 2003	31 Dec. 2004	31 Dec. 2005	31 Dec. 2005	31 Dec. 2006	31 Dec. 2007	31 Dec. 2008	31 Dec. 2009
Profit and Loss										
Revenue										
Net Sales	132.436	333.190	689.833	879.628	1.060.851	1.106.581	2.986.030	4.593.712	8.849.039	25.517.901
Cost of goods sold	69.180	161.627	344.821	471.673	575.600	602.600	2.268.900	3.552.518	7.213.753	22.162.918
Gross Profit	**63.256**	**171.563**	**345.012**	**407.955**	**485.251**	**503.981**	**717.130**	**1.041.194**	**1.635.286**	**3.354.983**
Expenses										
Salaries and wages	46.295	78.533	200.395	237.209	257.696	186.609	380.107	549.015	562.189	871.231
Social security	1.573	-770	-18.125	-32	-30.104	33.713	60.620	82.485	95.876	133.138
Pension	-	-	-	-	-	7.270	11.162	17.125	20.214	29.973
Tangible fixed asset depriciation	2.003	4.705	10.546	15.590	30.188	30.188	46.216	78.881	143.441	188.117
Other personnel expenses	-	3.676	4.359	9.285	15.088	15.088	38.845	23.607	20.236	29.405
Office rental	6.368	8.119	18.096	26.396	28.233	28.233	54.305	-	-	-
Utilities (exploitatiekosten)	-	-	-	-	-	4.821	6.724	-	-	-
Office expenses (kantoorkosten)	-	-	-	-	-	23.713	34.254	-	-	-
Supplies (inventariskosten)	-	-	-	-	4.821	-	-	-	-	-
Car travel expenses	6.601	13.023	30.166	33.383	18.900	18.900	37.704	-	-	-
Sales and marketing expenses	26.887	39.739	33.948	46.842	70.737	71.640	137.283	-	-	-
General expenses	20.659	25.376	42.601	45.785	74.464	60.010	90.854	-	-	-
Other operating expenses	-	-	-	-	-	-	-	417.865	267.510	446.441
Total operating expenses	**110.386**	**172.401**	**321.986**	**382.635**	**470.023**	**480.185**	**898.074**	**1.168.978**	**1.109.466**	**1.698.305**
EBIT (earnings before interest and taxes)	**-47.130**	**-838**	**23.026**	**25.320**	**15.228**	**23.796**	**-180.944**	**-127.784**	**525.820**	**1.656.678**
Financial income	-	-	2.007	1.386	221					
Financial expenses	220	-	1.726	5.881	6.687					
Net financial income	-220	0	281	-4.495	-6.466	-6.466	-8.717	-27.311	-26.834	-2.694
Earnings before taxation	**-47.350**	**-838**	**23.307**	**20.825**	**8.762**	**17.330**	**-189.661**	**-155.095**	**498.986**	**1.653.984**
Tax	-	-	-	-	-	-2.485	35.228	38.805	-104.453	-420.382
Net profit	**-47.350**	**-838**	**23.307**	**20.825**	**8.762**	**14.845**	**-154.433**	**-116.290**	**394.533**	**1.233.602**

Source: Company information

Exhibit 5 (contd)

(in €)	31 Dec. 2001	31 Dec. 2002	31 Dec. 2003	31 Dec. 2004	31 Dec. 2005	31 Dec. 2005	31 Dec. 2006	31 Dec. 2007	31 Dec. 2008	31 Dec. 2009
Balance sheet										
Assets										
Fixed assets										
Intangible fixed assets	-	-	-	-	-	-	78.450	254.989	282.372	299.228
Tangible fixed assets	8.070	9.775	38.436	54.445	81.105	81.105	106.346	143.093	218.704	395.024
Financial fixed assets	-	-	-	-	18.000	-	46.000	87.382	59.327	2.892
Current assets										
Accounts receivable	22.972	82.218	112.906	141.602	202.166	240.871	778.311	999.364	3.819.834	7.154.544
Cash and cash equivalents	322	3.141	100	887	3.457	3.457	19.386	14.044	1.853	662
Total assets	**31.364**	**95.134**	**151.442**	**196.934**	**304.728**	**325.433**	**1.028.493**	**1.498.872**	**4.382.090**	**7.852.350**
Liabilities										
Equity (Group equity as of 2007)	-27.350	-28.290	-4.983	15.842	24.604	30.687	-123.746	-240.035	154.497	488.100
Long-term liabilities	-	-	-	-	-	-	-	41.662	-	-
Current liabilities	58.714	123.424	156.425	181.092	280.124	294.746	1.152.239	1.697.245	4.227.593	7.364.250
Total liabilities	**31.364**	**95.134**	**151.442**	**196.934**	**304.728**	**325.433**	**1.028.493**	**1.498.872**	**4.382.090**	**7.852.350**
Average number of employees (FTE)										
Management	2	2	2	2	2					
Direct	-	1,9	5	5,4	5,5					
Indirect	-	0,9	0,9	1	1					
Total average number of employees (FTE)	**2,6**	**4,8**	**7,9**	**8,4**	**8,5**	**9**	**15**	**22**	**19**	**25**

Source: Company information